

Written Testimony of Yannet Lathrop

National Employment Law Project

Hearing on H.B. 5370, A Bill to Incrementally Raise Connecticut's Minimum Wage to \$15 by 2022

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wage increase, whether large or small. But, the experience of jurisdictions such as Seattle and San Francisco – which are currently phasing in a \$15 minimum wage – shows that predictions of economic dislocation have not come to pass (see Section 7 of this testimony).

Why is that? First, more than half of low-wage workers work for big companies – like the big retail and restaurant chains, whom most people recognize can absorb an increase, even a large one. And second, among small businesses, most are service industry firms like dry cleaners, bodegas and diners that serve local customers. When the minimum wage goes up, they and their competitors are all on a level playing field and can gradually adjust their prices to cover the cost without being put at a disadvantage. Moreover, that cost is partially offset both by the increased consumer spending generated by a \$15 minimum wage, and the staff recruitment and training savings generated by better paid staff who stay on the job longer.

A diverse range of business leaders confirm that transitioning to a \$15 minimum wage is entirely feasible. “‘Everybody in retail is dealing with an increase in minimum wage,’ said Popeyes CEO Cheryl Bachelder to *CNN Money*. ‘We will adjust to increased costs [of a \$15 minimum wage] just like we have before. Life will go on. There’s been too much hubbub about it.’”⁹

Marcus Samuelsson, owner of Harlem’s Red Rooster restaurant in New York, put it this way to *Crain’s New York*, “You have to adjust. I have 160 employees—we adjusted to the health care law, and we will have to adjust to [a \$15 minimum wage]. As a small-business owner, I know that change is something that comes constantly.”¹⁰

And as a former New York fast food chain owner, Dennis Kessler, who teaches at the University of Rochester’s Simon School of Business told the *Washington Post* last year, “This \$15 thing is being phased in over quite a few years, so I don’t think it’s going to have much of an impact. People are going to have to pay a little more. It really isn’t too much more complicated than that.”¹¹

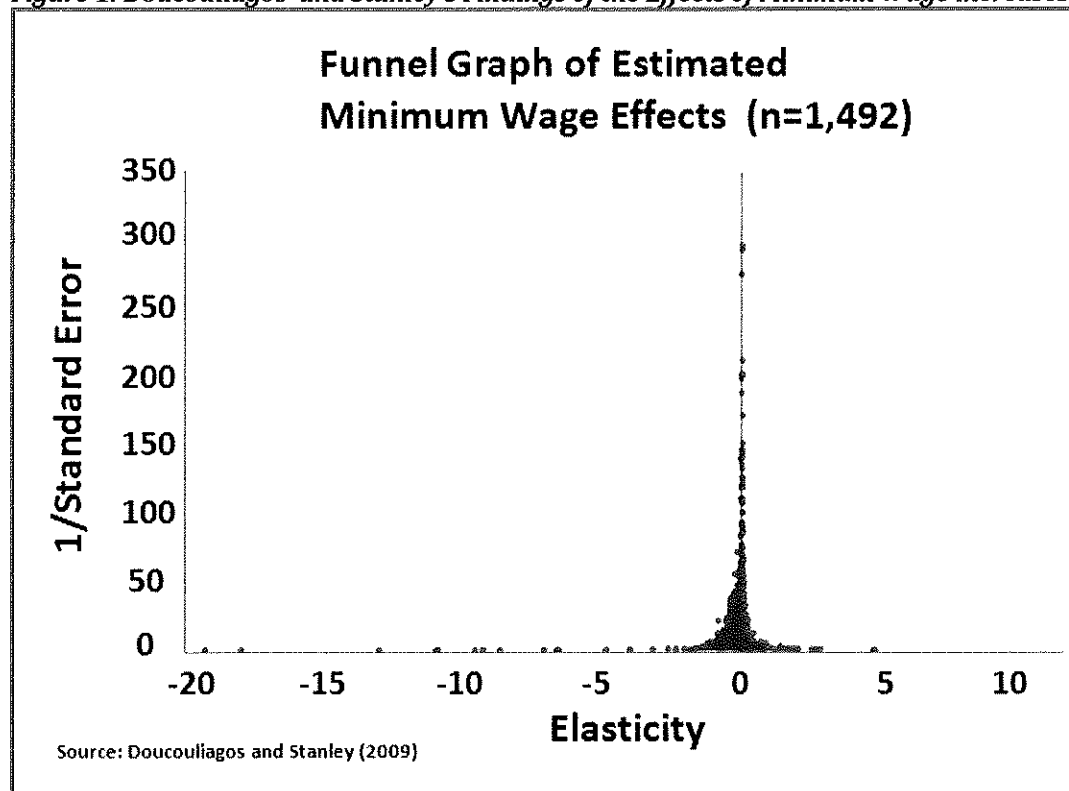
3. Workers Throughout Connecticut Need More Than \$15 to Make Ends Meet

Opponents of the minimum wage may suggest that \$15 is an excessive wage rate for Connecticut. However, cost of living data show that even in the least expensive regions of the state, single workers without family responsibilities will need substantially more than \$15 by 2022 just to cover the basics. Workers supporting children will need much more.

For example, in the Norwich/New London metropolitan area, which is one of the least expensive places to live in Connecticut, by 2022 a single worker will need \$37,201 to cover housing, food, medicine and other basic necessities. This translates to \$17.89 hourly, assuming full-time, year-round work. A single parent raising just one child will, by 2022, need to earn an hourly wage of \$33.01. And in the New Haven/Meriden metropolitan area, one of the most expensive in the state, a single worker will need to earn \$19.64 in 2022, while a single parent raising one child will need \$36.11. (See Table 1, on next page).¹²

T.D. Stanley (2009)¹⁷ and Dale Belman and Paul Wolfson (2014)¹⁸ – show that the vast majority of recent studies find minimum wage increases have little to no effect on employment levels or job growth.¹⁹ The following funnel graph (Figure 1) from the first of these meta-studies illustrates how the job loss findings from most minimum wage research are clustered very close to zero (“elasticity” in the graph refers to a measure of the change in employment resulting from an increase in the minimum wage). It also shows that the most rigorous studies (those higher up on the vertical axis) found close to zero effect on jobs.

Figure 1: Doucouliagos’ and Stanley’s Findings of the Effects of Minimum Wage increases



A new study released by economists at the Cornell Center for Hospitality Research further illustrates that the bulk of credible research points to very small effects on jobs and business growth, but significant effects on wages. The new Cornell study looks at the impact on restaurant employment and business growth levels over 20 years across the United States. It finds no evidence that states with higher minimum wages, including higher minimum wages for tipped workers, have lower employment or business growth rates.²⁰

6. State-of-the-Art Analysis of a Phased In \$15 Minimum Wage Shows Far-Reaching Benefits and a Modest Impact on Jobs

The best analysis to date of the impact of a \$15 minimum wage was conducted by University of California economists under contract with the City of Los Angeles. That analysis found that, if phased in gradually over five years, a \$15 wage would be manageable for employers and would raise business operating costs just 0.9 percent by 2019.²¹

Thank you so much for the opportunity to testify today. I'd be happy to answer any questions that you may have.

For more information, please contact Yannet Lathrop at ylathrop@nelp.org. For more about NELP, visit www.nelp.org or www.raisetheminimumwage.org.

ENDNOTES

¹ Estimates based on raising the federal minimum wage to \$12.00 by 2020. See David Cooper, "State Tables: Characteristics of Workers Who Would be Affected by Increasing the Federal Minimum Wage to \$12 by July 2020," Economic Policy Institute, May 7, 2015.

² "\$15 Laws and Current Campaigns," RaisetheMinimumWage.org.

³ "New York seals deal on \$15 minimum fast food wage," CNN Money, September 11, 2015.

⁴ New York State, "Mario Cuomo Campaign for Economic Justice."

⁵ "N.J.'s top Democrats join forces on \$15 minimum wage," NJ.com, February 19, 2016.

⁶ "California's \$15 Minimum Wage Initiative Is Likely Headed to Voters," RH Reality Check, January 5, 2016.

⁷ "State legislative committee approves \$15 an hour wage for fast food workers," MassLive, November 10, 2015.

⁸ "Campaign to begin for a \$15 minimum wage in D.C.," Washington Post, April 15, 2015.

⁹ "The CEO of Popeyes Has a Surprising Stance on the \$15 Wage," Fortune, November 13, 2015.

¹⁰ "Eateries will adjust to wage changes, says acclaimed Harlem restaurateur," Crain's New York Business, December 18, 2015.

¹¹ "Businesses are getting steamrolled on the minimum wage. Here's why," Washington Post, July 24, 2015.

¹² Estimates by the National Employment Law Project, based on the Economic Policy Institute's [Family Budget Calculator](http://www.epi.org/familybudgetcalculator). We assume modest inflation of 2 percent per year, and no growth in the median wage.

¹³ Office of Senator Bernie Sanders, *Economists In Support of a \$15 U.S. Minimum Wage as of 2020*, July 2015.

¹⁴ Dr. Jeannette Wicks-Lim, "Testimony on A New York Fast Food Minimum Wage for the New York Fast Food Wage Board," University of Massachusetts, Amherst, June 26, 2015.

¹⁵ Richard Ghiselli and Jing Ma, "The Minimum Wage, A Competitive Wage and the Price of a Burger: Can Competitive Wages be Offered in Limited-Service Restaurants," Purdue University School of Hospitality and Tourism Management, 2015.

¹⁶ Bloomberg News Editorial Board, "Raise the Minimum Wage," *Bloomberg News*, April 16, 2013.

¹⁷ John Schmitt, *Why Does the Minimum Wage Have No Discernible Effect on Employment?*, Center for Economic and Policy Research (2013).

¹⁸ Dale Belman and Paul Wolfson, "The New Minimum Wage Research," *Employment Research Newsletter*, Vol. 21, No. 2 (2014). http://research.upjohn.org/cgi/viewcontent.cgi?article=1220&context=empl_research

¹⁹ National Employment Law Project, *Minimum Wage Basics: Employment and Business Effects of Minimum Wage Increases*, September 2015.

²⁰ Michael Lynn & Christopher Boone, *Have Minimum Wage Increases Hurt the Restaurant Industry? The Evidence Says No!*, Cornell University School of Hotel Administration, Center for Hospitality Research, December 16, 2015.

²¹ Michael Reich, Ken Jacobs, Annette Bernhardt and Ian Perry, *The Proposed Minimum Wage Law for Los Angeles: Economic Impacts and Policy Options*, Institute for Research on Labor and Employment, University of California-Berkeley, March 2015.

²² Coral Garnick, "Seattle Jobless Rate Hits 8-Year Low in August," *The Seattle Times*, September 16, 2015.

²³ Paul Constant, "You Should Read This Story About Seattle's 'Minimum Wage Meltdown That Never Happened,'" *Civic Skunk Works*, October 23, 2015.

²⁴ Eric Morath, "What Happened to Fast-Food Workers When San Jose Raised the Minimum Wage? Hold the Layoffs," *Wall Street Journal*, April 9, 2014.

²⁵ Susan Berfield, "San Francisco's Higher Minimum Wage Hasn't Hurt the Economy," *Bloomberg Business*, January 22, 2014; Michael Reich, Ken Jacobs & Miranda Dietz, eds., *When Mandates Work: Raising Labor Standards at the Local Level*, Univ. of Calif. Press, 2014; and Carolyn Lochhead, "S.F. Praised as Model for U.S. on Increasing Minimum Wage," *SF Gate*, January 28, 2014.

²⁶ Marc Stiles, "Once Controversial, \$15-An-Hour Minimum Wage Now A Shoulder Shrug in SeaTac," *Puget Sound Business Journal*, December 22, 2014; and Dana Milbank, "Raising the Minimum Wage Without Raising Havoc," *Washington Post*, September 5, 2014.